

AR39



ABBEY INTERNATIONAL GROUP
Report for the year 1968



The Abbey International Group

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THE ABBEY INTERNATIONAL GROUP is composed of life insurance and other financial companies situated in the United States of America, the United Kingdom, the Commonwealth of the Bahamas, The Netherlands and Canada. Member companies are primarily engaged in the sale of long-term savings and investment programs, with particular emphasis on equity-linked life insurance which provides benefits that vary in accordance with the investment results of specified funds of common stocks and other investments.

The Abbey International Group was organized in 1964. The Group is jointly and equally owned by International Telephone & Telegraph Corporation and Georgia International Corporation. The sponsorship, counsel and financial resources provided by these two companies have contributed greatly to the rapid and successful development of the member companies.

The life insurance business and other businesses offering long-term savings and investment plans have developed rapidly throughout the world in recent years. Unfortunately, these businesses have developed primarily along narrow, nationalistic lines. Abbey International is among the few financial companies which have undertaken to establish world-wide opera-

tions conducted by an associated Group of locally based and locally managed companies. Such an international financial business promises substantial benefits to its policyholders and other customers and to the world at large: investment results are improved by world-wide intelligence; products, services and techniques successfully introduced in one country can be transferred rapidly to another; member companies can be managed independently in the manner best suited to the needs and opportunities of their respective markets; and the accumulation of savings by related companies in several countries increases mobility of capital, expands investment opportunities and promotes international financial cooperation.

The Portrait of Earth which appears on the cover of this report was photographed during the historic lunar orbital flight of Apollo 8, and is reproduced by permission of the National Aeronautics and Space Administration. This remarkable photograph celebrates an outstanding achievement in a year of much turbulence and tragedy. The photograph is also symbolic of the objectives of the Abbey International Group, for it presents the world in a new and distant perspective, undivided by national boundaries.

Members of the Abbey International Group take pleasure in presenting this report of their activities and achievements for the year 1968.

PROGRESS REPORT



THE ABBEY INTERNATIONAL GROUP reports, for 1968, another outstandingly successful year. The rapid growth and sound financial progress of the Group are reflected in the Five-Year Statistical Summary shown opposite. The amounts included in the Summary are expressed in US dollar equivalents of the several currencies in which business is transacted and represent the combined totals of the results of all member companies.

It is significant to note that more than 50,000 individuals have purchased life insurance policies from member companies, that 25,000 additional persons are protected under group insurance plans insured by member companies, and that a further 25,000 individuals own participations in mutual investment funds in which the Group has an interest. During 1968 one member company issued a single policy in an amount of more than \$6 million, and two member companies issued individual policies requiring a premium of approximately \$1 million each.

The remarkable progress recorded in 1968 and earlier years indicates the excellent public acceptance of the savings and investment programs offered by member companies in the several countries in which operations are conducted. In less than five years, the Group has achieved the status of a major financial institution.

The dramatic results achieved by members of the Group are a tribute to the sales organization composed of more than 400 full-time representatives and more than 700 insurance brokers. Due credit must also be given to the professional staff of the member companies who have designed attractive and saleable products which offer the public a convenient and effective

way to invest their savings, and to the administrative staff which has maintained a high standard of service, despite the rapidly expanding flow of business. The Group is indeed fortunate to have a large number of talented men and women — accountants, actuaries, clerks, lawyers, marketing experts, secretaries, tax advisors and others — whose combined efforts are responsible for the success of the Group.

The principal officers of the member companies illustrate the diversity of background and talent which is characteristic of the Group. JAMES C. H. ANDERSON, President of Abbey International Corporation, was born and educated in Canada. Mr. Anderson is a Member of the Academy of Actuaries and was one of the original directors of Georgia International Corporation, a co-parent of the Abbey International Group. MARK A. WEINBERG, Managing Director of Abbey Life Assurance Company Limited, was born in South Africa and educated in Commerce and Law at Witwatersrand and London Universities. Mr. Weinberg was the founder of Abbey Life. PAUL S. POTTER, President and Managing Director of the two Bahamas members of the Group, was born and educated in Canada. Mr. Potter joined the Group after a long and distinguished career with the Royal Bank of Canada. HANS ROZELAAR, Directeur of Abbey Leven Nederland since its inception, is a native of The Netherlands and received his legal education in that country. Mr. Rozelaar has been engaged in the life insurance business in The Netherlands throughout his career. NORMAN G. JAMES, President of Abbey Life of Canada, was born in Australia and educated in France and the United Kingdom. Mr. James has been associated with Abbey Life of Canada since its inception, following a successful career as a journalist and as a life insurance salesman and sales manager.



Five-Year Statistical Summary

Life Insurance in Force	1968	1967	1966	1965	1964
Direct Business					
Individual Permanent	\$457,473,000	\$206,831,000	\$ 37,307,000	\$ 12,840,000	\$ 4,995,000
Individual Term	109,498,000	76,270,000	24,872,000	8,552,000	1,278,000
Group	44,544,000	50,903,000	30,484,000	27,568,000	25,566,000
Reinsurance Assumed	90,980,000	61,209,000	58,503,000	40,365,000	30,030,000
Totals	\$702,495,000	\$395,213,000	\$151,166,000	\$ 89,325,000	\$61,869,000
Direct Sales					
Amount of Life Insurance					
Individual Permanent	\$283,069,000	\$184,288,000	\$ 26,972,000	\$ 8,745,000	\$ 1,279,000
Individual Term	45,703,000	12,856,000	17,991,000	7,766,000	
Group	3,775,000	494,000	3,207,000	2,203,000	25,566,000
Totals	\$332,547,000	\$197,638,000	\$ 48,170,000	\$ 18,714,000	\$26,845,000
Premium Income					
Direct Individual Life	\$103,856,000	\$ 71,985,000	\$ 9,639,000	\$ 1,267,000	\$ 58,000
Reinsurance Assumed	28,111,000	28,768,000	6,334,000	3,150,000	176,000
Group	299,000	406,000	487,000	439,000	417,000
Totals	\$132,266,000	\$101,159,000	\$ 16,460,000	\$ 4,856,000	\$ 651,000
Financial Summary					
Net Income	\$ 2,488,000	\$ 2,209,000	\$ 1,000	\$ 288,000	\$ 7,000
Total Assets	257,480,000	107,110,000	20,104,000	6,768,000	2,695,000
Net Worth	8,067,000	5,579,000	1,520,000	1,520,000	1,080,000

Principal Officers of Member Companies



James C. H. Anderson



Mark A. Weinberg



Paul S. Potter



Hans Rozelaar



Norman G. James

The Life Insurance Industry

The growth of the life insurance industry has continued without interruption for many years at an annual rate of 10% or more. Shown opposite is a statistical summary of life insurance world-wide based on the latest available reports, which are now one year old. It is noteworthy that business in the United States of America, which represents approximately two-thirds of the world total, increased 10% during 1967 while business in other countries increased at rates ranging from 8% to 25%, with an average of 15%. These rates of growth, which are approximately 2% greater than recorded in 1966, are expected to continue.

Tabulations of amounts of insurance measure only the progress of life insurance protection. Equally significant is the progress of life insurance as a form of savings. Authoritative statistics concerning premium income, which measures life insurance savings, are incomplete. Nevertheless, the available information indicates clearly that life insurance savings has grown only half as rapidly as life insurance protection, at an annual rate of approximately 5%. In fact, life insurance as a form of savings has not grown as rapidly as several competing forms of savings, and future growth is not assured.

The loss of public favor for conventional life insurance as a savings medium may be attributed to chronic inflation and the resultant depreciation of the real value of money. Because common stock prices have increased more rapidly than prices in general, equity-oriented savings plans, such as mutual funds, have afforded protection against inflation and the popularity of such plans has increased, largely at the expense of the life insurance industry. Members of the Abbey International Group are among the leaders

in the life insurance industry now offering similar protection through equity-linked life insurance policies. Favorable public acceptance of these programs encourages confidence in the future growth of this new form of life insurance savings and offers the industry an opportunity to recapture its lost share of the savings market.

The continued growth of the life insurance industry has far-reaching implications: for the industry itself, the prospect of a period of expanding employment, increasing mechanization and prosperity; for business and government, the promise of a dependable source of long-term capital funds; for millions of families throughout the world, the security afforded only by life insurance protection and savings.

Life Insurance World-Wide

(Amounts expressed in billions of U. S. dollar equivalents of other currencies)

	1967		Ratio to National Income
	Amount of Insurance	Rate of Increase	
United States of America	\$1,080	10%	159%
Japan	103	25	114
Canada	83	10	194
United Kingdom	74	11	100
German Federal Republic	41	11	43
Sweden	34	25	165
France	31	14	38
The Netherlands	22	10	122
Australia	21	13	95
South Africa	11	14	85
Switzerland	10	11	72
Italy	9	16	16
Belgium	8	12	52
India	7	8	16
New Zealand	6	13	139
All Others (estimated)	60	15
World-Wide Total	\$1,600	12%



Abbey International Corporation

ABBEY INTERNATIONAL CORPORATION, the parent company of the Group, supervises and provides services and capital to the operating companies, and is responsible for planning and implementing the continuing expansion of the Group. The management of the parent company, with offices in Atlanta and London, maintains constant liaison among the several operating companies. This channel of communications offers the opportunity for the companies in various parts of the world to exchange ideas, and is particularly important with respect to the investment operations of the Group.

Because members of the Abbey International Group specialize in the sale of equity-linked insurance policies investment operations are of primary importance. It is the policy of the Group to engage financial advisors of the highest reputation in each of the countries in which operations are conducted. Each member company, thus, receives advice from investment experts in its own country and has access to information received from experts in other countries. This network of advisors is admirably suited to provide the combination of professional skills and information gathered on a world-wide basis which successful investment management today requires. To date the investment record of the Group, with more than \$250 million assets under management, has been favorable and policyholders have benefited as a result.

During 1968 the professional staff of Abbey International Corporation was significantly strengthened. The skills and experience which the company makes available to members of the Group are supplemented, to an important extent, by those of its parent companies, both of which are engaged in financial service businesses.

Management

James C. H. Anderson President
Mark A. Weinberg Senior Vice President
Nicholas H. Carpenter Vice President
Howard T. Cohn Vice President
M. Sydney Lipworth Vice President
Richard A. Hurd Treasurer
Joseph R. White, Jr. Secretary
Paul A. Finkel Actuary
Rodney L. Hale Controller
Michael R. Winterfield Actuary

Directors

James C. H. Anderson
President, Abbey International Corporation
Nicholas H. Carpenter
Vice President, Abbey International Corporation
Howard T. Cohn
Product Line Manager, Financial Services
International Telephone & Telegraph Corporation
Richard A. Denny, Jr.
Partner, King & Spalding
Gerhardt M. Hoff
Director, Insurance Company Operations
ITT Financial Services, Inc.
Herbert C. Knortz
Senior Vice President & Comptroller
International Telephone & Telegraph Corporation
John H. Kostmayer
Vice President
International Telephone & Telegraph Corporation
G. Albert Lawton
Chairman of the Board
Georgia International Corporation
John J. McDonough
Chairman, Executive Committee
Georgia International Corporation
Hart Perry
Executive Vice President
International Telephone & Telegraph Corporation



Abbey Life Assurance Company Limited

ABBEY LIFE ASSURANCE COMPANY LIMITED is the oldest and largest member of the Group. The Company was organized in 1961 and became the first member of the Group in 1964. Abbey Life conducts operations throughout the United Kingdom through an organization of 18 branch offices with more than 300 representatives. It also enjoys the active support of more than 500 firms of insurance brokers.

The Company offers a broad and comprehensive range of individual life insurance policies. These products are extensively advertised and have achieved widespread public acceptance. Marketing efforts have been remarkably successful and the Company has grown very rapidly.

In addition to its life insurance business, Abbey Life is engaged in the management of mutual funds. Together with Hambros Bank, the Company jointly owns Hambro Abbey Securities Limited, a company which manages two unit trusts (open-end mutual funds) under the name "Hambro Abbey".

Abbey Life was among the first companies to offer equity-linked policies in the United Kingdom, and is presently one of the recognized leaders in this field. Its main product, the Planned Investment Endowment, is a systematic savings plan. Through this plan, policyholders' savings are invested in the Hambro Abbey Trust, and benefits are directly linked to the investment results achieved by the unit trust.

The Company also markets two single-premium investment policies, "Abbey Bonds" and "Abbey Property Bonds". The former, a single-premium policy with benefits linked to a fund of equities maintained by the Company, was introduced in 1966. Abbey

Property Bonds, launched in 1967, is a similar policy, but the benefits are linked to the investment results of a fund invested in properties. Both policies have produced a large inflow of funds and, despite the introduction during 1968 of legislation that removed some of the exceptional tax advantages previously enjoyed by these plans, they have continued to be popular and attract a regular inflow of public savings.

During 1968 the Company maintained its reputation for developing attractive new plans by introducing an improved form of personal pension policy for self-employed persons and others not belonging to a pension scheme, the Investment Annuity Contract, linked to both the Abbey Bond and Property Bond Funds. Later in the year, Abbey "10-Plus" Bonds were introduced; this is a flexible long-term investment plan having a high minimum premium. The plan allows the policyholder to elect each year whether his current investment is to be allocated to the Abbey Bond Fund or the Property Fund, or spread between the two funds. These two new plans now account for a substantial and growing proportion of the Company's business.

The Company also offers conventional insurance plans with fixed benefits and annuity contracts with either fixed or equity-linked benefits. It expects to introduce additional products and services as required to satisfy changing public needs and taste.

The Company's assessment of the strength and trend of public demand for equity-linked insurance, in which the Company has specialized, was confirmed in 1968 by the entry of most of the oldest-established life offices into this field. This welcome development promises to strengthen the life insurance industry in the United Kingdom by broadening the range of services offered.

It is noteworthy that in the United Kingdom the growth of life insurance savings has more nearly kept pace with the growth of life insurance protection than in most of the major markets of the world. The United Kingdom is also the market in which equity-linked life insurance plans have achieved the greatest popularity. If these facts are related, as seems likely, they confirm the view expressed elsewhere in this report — that equity-linked life insurance plans offer the industry the opportunity to recapture its share of the long-term savings market.

Investment units in Hambro Abbey Trust and the Hambro Abbey Income Trust are offered directly to the public as well as through equity-linked insurance plans. At the date of this report, assets of these two unit trusts, which are not consolidated with financial information reported elsewhere, amount to \$36 million and continue to grow satisfactorily.

The year was one of great activity and rising values on the Stock Exchange. All of the funds managed by the Company showed satisfactory performance, with resultant benefits to policyholders and unit-holders.

In 1968, as in earlier years, the growth of Abbey Life was dramatic; in each year of the Company's history sales of annual premium business have grown at an annual rate of more than 100%, and the single premium sales have grown even more spectacularly. The success of the Company may be traced to the attractive products offered and to its able and aggressive marketing program. Production continues to grow rapidly and, measured by current results, it is estimated that Abbey Life falls among the top ten life offices in the United Kingdom, an unmatched and unrivaled record.

Management

Mark A. Weinberg Managing Director

W. Daniel Dane Agency Director

Joel G. Joffe Administrative Director and Secretary

Alan Ford Financial Director and Actuary

T. A. P. Walker Assistant Agency Director

Directors

James C. H. Anderson

Director, Abbey International Corporation

C. J. Baker

Investment Advisor, Hambros Bank Limited

Howard T. Cohn

Director, Abbey International Corporation

W. Daniel Dane

Agency Director

Abbey Life Assurance Company Limited

Rex B. Grey

Chairman, Standard Telephones & Cables Limited

John H. Kostmayer

Director, Abbey International Corporation

G. Albert Lawton

Director, Abbey International Corporation

A. D. Mackay

Deputy Chairman

Standard Telephones & Cables Limited

Sir George Pickering

Regius Professor of Medicine, Oxford University

Sir Thomas Spencer

President, Standard Telephones & Cables Limited

Mark A. Weinberg

Managing Director

Abbey Life Assurance Company Limited

G. S. A. Wheatcroft

Professor Emeritus

London School of Economics

Financial Advisors

Hambros Bank Limited

41 Bishopsgate

London E. C. 2, England



Abbey Overseas Insurance Company Limited Abbey International Insurance Company Limited

ABBEY OVERSEAS INSURANCE COMPANY LIMITED and ABBEY INTERNATIONAL INSURANCE COMPANY LIMITED were organized in the Commonwealth of the Bahamas in 1964 and 1965 respectively. The former company accepts reinsurance from countries located outside the sterling area, and the latter from countries within the sterling area.

In 1968 Abbey International Insurance Company Limited entered the domestic life insurance market in the Bahamas and introduced the Home Purchase Plan. This plan, combining a 20-year endowment policy with a mortgage loan commitment, affords a systematic program for the accumulation of the cash payment required for home purchase and guarantees the availability of mortgage funds to finance the balance of the purchase price. Late in 1968 an agency organization was established and equity-linked annual and single premium endowment contracts, similar to those offered by the Group in the United Kingdom, were introduced. Through these plans, policyholders' savings are invested in the Abbey International Fund and benefits are directly linked to the investment results of the Fund. Because the Company is domiciled in the Bahamas it has unusually favorable investment opportunities and policyholders will benefit from this advantage. The Company also offers conventional insurance plans at rates lower than those generally prevailing in the Bahamas.

Sales results to date have surpassed expectations; measured by the current rate of production, the Company may already occupy the leading position in the Bahamian market. Continued expansion is confidently anticipated. At present, business is confined to New Providence Island, but expansion to other parts of the Bahamas and to the Caribbean area is contemplated.

Management

Paul S. Potter President and Managing Director

Nicholas H. Carpenter Vice President

John F. Rowe Vice President

Rhett D. Baird Assistant General Manager

Michael R. Winterfield Actuary

Directors

James C. H. Anderson

Director, Abbey International Corporation

Nicholas H. Carpenter

Director, Abbey International Corporation

Gerald C. Cash, O. B. E.

Partner, Cash, Fountain & Bowe

Howard T. Cohn

Director, Abbey International Corporation

John H. Kostmayer

Director, Abbey International Corporation

G. Albert Lawton

Director, Abbey International Corporation

R. M. T. Orr

Deputy Chairman

Trust Corporation of Bahamas Limited

Paul S. Potter

President and Managing Director

Abbey Overseas Insurance Company Limited

John F. Rowe

Managing Director

Trust Corporation of Bahamas Limited

Edward P. Taylor, C. M. G.

President

New Providence Development Company Limited

Financial Advisors

Trust Corporation of Bahamas Limited

50 Frederick Street

P. M. Bag 288

Nassau, N. P., Bahama Islands

Abbey Leven Nederland, N. V.

ABBEY LEVEN NEDERLAND, N. V. was organized in 1966 and commenced business during 1967. This company conducts operations throughout The Netherlands through an organization of six branch offices with approximately 70 representatives, and is supported by more than 100 firms of insurance brokers, including many of the largest in the country.

Although equity-linked life insurance plans originated in The Netherlands some fifteen years ago, Abbey Leven was the first to offer such a plan with fixed premiums and minimum guaranteed death benefits. The Verzekerings Investerings Plan, a systematic savings plan similar to that offered by the Group elsewhere, has rapidly achieved widespread public acceptance and has been imitated by many other long-established companies. Through this plan, policyholders' savings are invested in the Holland Fund, an open-end mutual fund managed by Labouchere & Co., N. V. and Mees & Hope. Benefits under the Verzekerings Investerings Plan are directly linked to the investment results achieved by the Holland Fund, which during 1968 enjoyed an increase in value of 29%. The Company also offers conventional insurance plans at rates lower than generally prevailing in The Netherlands but comparable to those prevailing in several other countries.

Abbey Leven was the first life insurance company in The Netherlands to establish a direct sales organization and this innovation is largely responsible for its unprecedented success. Measured by the current rate of production, it is estimated that Abbey Leven is already one of the leading fifteen life insurance companies in The Netherlands. Future plans call for continuation of the present development and the opening of branches in those parts of The Netherlands not now served.

Management

Hans Rozelaar Directeur
Peter R. Oliver Directeur
Albert J. Furstner Adjunct-Directeur
Albert D. Verwer Adjunct-Directeur
A. W. Smit Actuary
A. Tonnaer Secretary

Directors

James C. H. Anderson
Director, Abbey International Corporation
J. M. Barents
Advocaat, J. M. Barents and Partners
Howard T. Cohn
Director, Abbey International Corporation
M. A. van Idsinga
Gedelegeerd Commissaris
Nederlandsche Standard Electric Maatschappij N. V.
John H. Kostmayer
Director, Abbey International Corporation
G. Albert Lawton
Director, Abbey International Corporation
Jan Schoo
President Commissaris
Nederlandsche Standard Electric Maatschappij N. V.
Mark A. Weinberg
Managing Director
Abbey Life Assurance Company Limited

Financial Advisors

Labouchere & Company, N. V.
Tesselschadestraat 12
Amsterdam, The Netherlands
Mees & Hope
Keizersgracht 577
Amsterdam, The Netherlands



Abbey Life Insurance Company of Canada

ABBEY LIFE INSURANCE COMPANY OF CANADA became a member of the Group in 1967, when Abbey International Corporation purchased an 81% interest in the company. During 1968 the Group increased its share of the ownership to 85% by the purchase of additional shares. This company, organized in 1963, operates in Alberta, British Columbia, New Brunswick, Ontario, Quebec and Saskatchewan through an organization of branch offices and general agencies with approximately 70 representatives.

Since its date of organization the Company has offered conventional insurance plans at competitive premiums, and this continues to be its primary business. During 1968 the Company introduced in Canada several equity-linked life insurance and annuity plans through which policyholders' savings are invested in the Abbey North American Fund and benefits are directly linked to the investment results of the Fund. During its first year, the investment performance of the Abbey North American Fund was above average and a gain in value of 18% was achieved in seven months. The progress of the Company during 1968 was impeded by uncertainties concerning taxation and regulation which are expected to be resolved early in 1969.

Related to national income, Canadians have been for many years the world's leading purchasers of life insurance. The increasing interest of Canadians in equity investments, coupled with their widespread consciousness of the protection benefits of life insurance, suggest that acceptance of the recently introduced equity-linked plans will be favorable. Abbey Life of Canada expects to concentrate its future efforts in this promising area of the Canadian market.

Management

Norman G. James President
Nicholas H. Carpenter Vice President
Richard A. Hurd Treasurer
Paul A. Finkel Actuary
Hugh D. Haney Secretary
Leslie W. Haworth Comptroller
John W. Rathbone Superintendent of Agencies

Directors

James C. H. Anderson
Director, Abbey International Corporation
Howard T. Cohn
Director, Abbey International Corporation
James Firth
President, Firth Brothers Limited
J. Ross Fischer
President, J. Ross Fischer Hotels Limited
Viscount Garnock
President, Crossley Carpets (Canada) Limited
David Goldberg, Q. C.
Partner, Christlaw, Wigle, Goldberg & Stanger
Percy W. Hankinson
Vice President and General Manager
Toronto, Hamilton & Buffalo Railway
James B. Haxton
Vice President, Montreal Trust Company
Norman G. James
President
Abbey Life Insurance Company of Canada
John H. Kostmayer
Director, Abbey International Corporation
G. Albert Lawton
Director, Abbey International Corporation
J. A. H. Mackay
President, ITT Canada Limited

Financial Advisors

Montreal Trust Company
15 King Street West
Toronto, Ontario

Future Outlook

For several years there have been evident signs of change throughout the world in the life insurance industry and related businesses. Fundamental changes are taking place in products, marketing techniques and the ownership of financial companies. This evolutionary process, which is continuing, suggests the following predictions concerning the future of the life insurance industry and related businesses.

- ☐ The growth of the life insurance industry will continue at an undiminished rate; the amount of life insurance will reach US\$2,200 billion in 1970.
- ☐ Equity-linked savings plans of all kinds will gain in popularity and equity-linked life insurance policies will, ultimately, represent a majority of life insurance savings.
- ☐ Life insurance companies will continue to combine with other financial companies to form enlarged organizations offering financial services of many kinds.
- ☐ The efficiency of life insurance as a savings medium will be significantly improved by cost reduction arising from integrated financial services, mechanized processing and mass marketing.
- ☐ The number of financial companies operating on an international basis will continue to increase.
- ☐ New markets for life insurance and other financial services will emerge and grow rapidly in presently underdeveloped countries.

These long-range predictions are substantially unchanged from those made one year ago and, to a significant extent, have been confirmed by the events of 1968. The Abbey International Group, with its emphasis on equity-linked life insurance policies and its multi-national operation, has been in the vanguard of change and its rapid development is clearly related in part to this climate of innovation and growth. Management believes that the equity-linked contract is a development of significance equal to that of the invention of level premium insurance, an idea which created the possibility of combining long-term savings with life insurance.

In 1969 management anticipates that the Group will again report sizeable gains. Total amount of life insurance in force is expected to exceed \$1 billion. Sales of annual premium business are expected to double while single premium business is expected to decline. Equity-linked savings plans will represent an even larger proportion of the business of the Group than heretofore. Although sales in the United Kingdom will continue to predominate, substantial increases in production are expected in other countries and the operations of the Group will be further diversified geographically in 1969. In 1968 the management of each of the member companies was significantly strengthened and the Group's organization and resources are now well placed to exploit to the fullest the considerable opportunities of the immediate and long-term future.

In summary, the outlook for 1969 is a promising one. Long-range plans call for expansion into other countries and related businesses. Long-range projections envisage that five years hence, in 1973, sales of annual premium business by present member companies will show a five-fold increase over 1968.

FINANCIAL REPORT



During 1968, the fourth complete year of operation since organization, the Abbey International Group again achieved outstandingly satisfactory financial results. Total net worth increased by \$2,487,000, representing retained earnings of 1968. Capital transfers within the Group, appropriate to the differing impact of the cost of expansion of production, ensured that the net worth of all individual subsidiaries also increased. Total premium income was \$132 million compared with \$101 million in 1967, and assets increased by \$150 million to \$257 million. At the end of the year, insurance in force exceeded \$700 million, a gain of more than \$300 million for the year.

Invested assets at the end of 1968 comprised \$43 million of cash deposits at interest awaiting investment; \$56 million of government bonds; \$130 million of common stocks and Unit Trust shares; \$16 million invested in real estate equities, and \$5 million of other investments, mainly industrial bonds and real estate mortgages. The investment portfolio of each member company is managed with due regard to the interests of policyholders; in particular the distribution of assets between each category is governed primarily by the principle of matching of assets and liabilities, which calls for a selection of investments appropriate to the currency, nature and expected maturity of commitments to policyholders.

The year 1968 saw a continuation of earlier trends in major securities markets, with equity prices advancing generally and rising interest rates causing substantial falls in bond markets. The substantial flow of new funds was thus invested at a particularly

favorable time with resulting gains in equity values and yields on fixed interest securities at historically high levels.

Internationally, securities markets continued to be affected by the chronic problem of imbalance in the flow of goods and capital between the major trading nations. In the United States and the United Kingdom interest rates rose further in the face of continued inflationary pressures and balance of payments problems. Speculation in European currencies, especially the Pound, Franc and Deutsche Mark, reached crisis proportions and there seems to be no reason to suppose that fundamental solutions to these problems are at hand.

The equity investment funds to which benefits of policies issued by members of the Group are linked all showed significant gains during the year. The table below shows the increase in value of a unit in each such fund, with allowance for reinvestment of income after deduction of tax.

1968 Increase in Fund Unit Values

UNITED KINGDOM

Hambro Abbey Trust	35%
Hambro Abbey Income Trust	36%
Abbey Bond Fund	31%
Abbey Property Bond Fund	16%

CANADA

Abbey North American Fund (6 months)	18%
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THE NETHERLANDS

Holland Fund	29%
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The pace of industrial and social development and persistent inflationary tendencies in the developed countries of the world suggest that the historic long-term upward trend in equity prices, shown clearly by the table below, will continue with intermittent periods of static or declining prices. Interest rates can be expected to remain at high levels until confidence in the international monetary system is fully restored and international liquidity increased.

The investment outlook for 1969 is thus dominated by the prospect of continued depression in bond markets and the threat of depreciating currency values. On balance, while a quick return to more normal interest rates seems unlikely, it appears that further major falls in bond prices will not occur in 1969. Equity markets may be expected to at least pause in their recent rapid upward climb, and skillful appraisal of the best opportunities, based on realistic estimates of future potential, should be the basis of investment policy.

Indices of Common Stock Prices

Year	New York	London	Toronto	Amsterdam
1900	3.38	33.5	—	—
1910	5.02	27.5	—	—
1920	6.50	55.0	—	171
1930	16.42	72.0	—	72
1940	10.69	69.8	19.20	70
1950	18.33	115.9	44.62	100
1960	59.43	305.3	100.47	385
1968	107.49	506.4	167.12	482

Accountants' Opinion

Board of Directors
Abbey International Corporation
Atlanta, Georgia

We have examined the consolidated statement of financial condition of Abbey International Corporation and subsidiaries as of December 31, 1968 and the related consolidated statements of operations and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have been furnished the opinions of independent actuaries that policy reserves and other actuarially determined amounts are fairly stated on a consistent basis. We made a similar examination of the financial statements for the preceding year.

In our opinion, based upon our examination and the aforementioned reports of independent actuaries, the accompanying financial statements present fairly the consolidated financial position of Abbey International Corporation and subsidiaries at December 31, 1968, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Atlanta, Georgia
March 14, 1969

Ernst & Ernst

FINANCIAL STATEMENTS

ABBEE INTERNATIONAL CORPORATION AND SUBSIDIARIES

Consolidated Statements of Financial Condition

		December 31,	
		1968	1967
Assets	Investments on the basis of cost (market value — 1968 — \$247,028,271; 1967 — \$103,037,614):		
	Cash deposits at interest	\$ 43,334,417	\$ 19,132,714
	Bonds:		
	Governments	55,523,388	42,770,725
	Other	3,252,483	970,018
	Stocks	95,121,636	33,722,005
	Real estate	15,716,085	73,560
	Other invested assets	1,908,008	1,798,030
		<u>\$214,856,017</u>	<u>\$ 98,467,052</u>
	Portion of unrealized appreciation recognized in reserves on policies — Note B	34,599,772	5,050,869
	TOTAL INVESTMENTS	<u>\$249,455,789</u>	<u>\$103,517,921</u>
	Cash on hand and in banks (other than deposits at interest)	481,483	456,637
	Other assets:		
	Investment income due and accrued	\$ 1,684,652	\$ 762,459
	Deferred premium and policy amounts receivable	1,658,330	208,129
	Recoverable taxes withheld at source	1,655,510	413,331
	Excess of cost over equity in subsidiaries at date of purchase — Note A	1,123,942	1,038,574
	Miscellaneous	1,428,077	712,954
		<u>\$ 7,550,511</u>	<u>\$ 3,135,447</u>
		<u>\$257,487,783</u>	<u>\$107,110,005</u>
Liabilities, Capital Stock and Surplus	Reserves on policies — substantially all life — Note B	\$243,874,245	\$ 99,044,431
	Policy and contract claims	1,588,302	1,051,580
	Other policyholders' funds	550,753	102,756
	Notes payable (short-term — 1968 — \$951,000; 1967 — \$60,000) — Note D	1,251,000	430,000
	Other liabilities	1,793,784	472,076
		<u>\$249,058,084</u>	<u>\$101,100,843</u>
	Commitments — Note E		
	Minority interest	362,391	429,694
	Capital stock and surplus:		
	Capital stock — Note A		
	Class A common stock, par value \$1,000 a share — Authorized — 5,000 shares; issued and outstanding 1,500 shares	\$ 1,500,000	\$ 1,500,000
	Class AA common stock, par value \$1,000 a share — Authorized — 5,000 shares; issued and outstanding — 1,500 shares	1,500,000	1,500,000
	Earned surplus — Notes A and C	5,067,308	2,579,468
		<u>\$ 8,067,308</u>	<u>\$ 5,579,468</u>
		<u>\$257,487,783</u>	<u>\$107,110,005</u>

See Notes to Financial Statements.



Consolidated Statements of Operations

		Year ended December 31,	
		1968	1967
Income	Premiums and other considerations — principally life insurance	\$132,265,718	\$101,159,206
	Net investment income	12,382,450	3,141,733
	TOTAL INCOME	\$144,648,168	\$104,300,939
Benefits Paid Or Provided For	Death and other benefits	\$ 16,794,655	\$ 5,796,502
	Increase in policy reserves and policyholders' funds	114,437,335	90,594,519
		\$131,231,990	\$ 96,391,021
		\$ 13,416,178	\$ 7,909,918
Expenses	Commissions and allowances	\$ 5,481,056	\$ 3,282,223
	General insurance expense	4,063,192	2,016,445
	Insurance taxes, licenses, and fees	203,477	127,818
		\$ 9,747,725	\$ 5,426,486
	Net gain-loss* on sale of securities	\$ 3,668,453	\$ 2,483,432
		1,216,140*	116,726
	NET INCOME BEFORE EXTRAORDINARY ITEM AND MINORITY INTEREST	\$ 2,452,313	\$ 2,600,158
	Extraordinary item — Loss*-Devaluation of Pound Sterling	—0—	391,078*
	Minority interest in loss of subsidiary	35,527	—0—
	NET INCOME — Notes B and C	\$ 2,487,840	\$ 2,209,080

Consolidated Statements of Surplus

		Year ended December 31,	
		1968	1967
Capital Surplus — Note A	Balance at beginning of year	\$ —0—	\$ 460,200
	Contributed capital	—0—	1,850,000
		\$ —0—	\$ 2,310,200
	Deduct amount transferred to capital stock as a result of reorganization — Note A	—0—	2,310,200
	BALANCE AT END OF YEAR	\$ —0—	\$ —0—
Earned Surplus — Note A and C	Balance at beginning of year	\$ 2,579,468	\$ 560,188
	Net income for the year	2,487,840	2,209,080
		\$ 5,067,308	\$ 2,769,268
	Deduct amount transferred to capital stock as a result of reorganization — Note A	—0—	189,800
	BALANCE AT END OF YEAR	\$ 5,067,308	\$ 2,579,468

See Notes to Financial Statements.

Notes to Financial Statements

DECEMBER 31, 1968

Note A — Basis of Financial Statements and Principles of Consolidation

On January 2, 1968, Abbey International Corporation, in a merger effected as a "pooling of interests", exchanged 3,000 shares of its \$1,000 par value common stock for the assets and liabilities of Great International Life Insurance Company and Great International was dissolved. These statements give retroactive effect to this transaction and have been prepared on the basis of generally accepted accounting principles, which differ from statements prepared in accordance with requirements prescribed by the domiciliary regulatory authorities of the Companies. Such statements include the accounts of the Company and its subsidiaries (all of which are life insurance companies operating outside of the United States) with significant inter-company transactions eliminated. The excess of cost over equity in subsidiary at date of purchase is not being amortized because there has been no diminution in value.

The December 31, 1968, consolidated net assets of Abbey International Corporation and subsidiaries include amounts translated in United States dollars as follows:

	Foreign Currency	Exchange Rate	U. S. Dollars
Pound sterling	£1,204,583	US\$2.4000	\$2,981,000
Australian dollar	A\$2,034,821	US\$1.1200	2,279,000
Canadian dollar	C\$1,216,216	US\$0.9250	1,125,000
Dutch guilder	f2,591,386	US\$0.2763	716,000
All other	Various	Various	69,000

Abbey International Corporation received \$205,800 and \$34,300 in inter-company dividends in 1968 and 1967, after approval of the exchange control authorities of the domiciliary country of the Companies (See Note C).

Note B — Reserves and Effect on Income

The subsidiaries of Abbey International Corporation base their reserves on the reporting requirements prescribed by the domiciliary regulatory authorities of the Companies, which differ in certain respects from those in the United States. Actuarial liabilities of these Companies are calculated on bases appropriate to the risks assumed with valuation interest rates based on the yield and maturity of the investments, reflecting tax considerations, where applicable.

Most of the policies sold by the subsidiaries of Abbey International Corporation specify that a major portion of the premium will be invested in shares of mutual investment funds and benefits provided by these policies are directly affected by gains and losses accruing in such funds. In general, the policies provide minimum guaranteed death benefits and, in some cases, minimum maturity benefits, but never minimum surrender benefits. Reserves on these policies as of December 31, 1967 and 1968 include unrealized appreciation and depreciation in the market values of the related securities and

appropriate provisions for minimum guaranteed benefits and taxes. In the year of sale, reserves on single premium policies are generally lower than the premiums received less associated expenses and a gain is realized; in the year of sale, reserves on annual premium policies are generally higher than the premiums received less associated expenses and a loss is incurred. In 1969 the company anticipates a reduced volume of single premium business and an increased volume of annual premium business, resulting in a reduction in total premiums and net income.

Note C — Income Taxes

The subsidiaries' earnings are subject to life insurance company income taxes levied by the domiciliary countries; however, no provision for taxes was required for 1968 or prior periods. No provision has been made in these statements for taxes which may become payable if the undistributed subsidiary earnings are received as dividends. It is anticipated that the majority of foreign earnings will be used for further expansion and that operating expenses and future foreign tax credits will exceed the taxes on dividends actually paid.

No tax liability arises in the United Kingdom when surplus is maintained for the benefit of policyholders or when there is an excess of expenses of management over the sum of taxable investment income, realized net capital gains, and annuity profits on life insurance business. All surplus was retained for the benefit of policyholders at December 31, 1968, and there was an accumulated excess of management expenses of approximately \$312,000 which may be used to offset future investment and other income. If the surplus of Abbey Life Assurance Company Limited at December 31, 1968, were to be distributed to shareholders, withholding tax of approximately \$479,000 would be incurred.

Note D — Notes Payable

The Company and one of its subsidiaries have loan commitments from banks totaling \$1,717,500, for which shares in Abbey Life Insurance Company of Canada and Abbey Leven Nederland, N. V. are pledged. Loan balances, interest rates and repayment dates are:

Due March 31, 1969	7¼%	\$ 100,000
Due December 31, 1969	7¼%	851,000
Due June 30, 1970	8%	300,000
	TOTAL	<u>\$1,251,000</u>

Note E — Long-Term Leases

Abbey Life Assurance Company Limited leases its home office premises in London, England under a long-term lease at an annual rental of \$90,000 for four years, \$120,000 for the fifth year, \$144,000 for the next seven years, with the rental for the remaining twenty-two years to be adjusted to current market values. The rentals paid by the other Companies were not significant.



The Abbey International Group

a joint enterprise of
International Telephone & Telegraph Corporation
Georgia International Corporation